

SOUTH CAROLINA'S STATE PENSION BOARD

How the South Carolina Retirement System Investment Commission puts retirees and taxpayers at risk



Curtis M. Loftis, Jr., State Treasurer
January 6, 2014



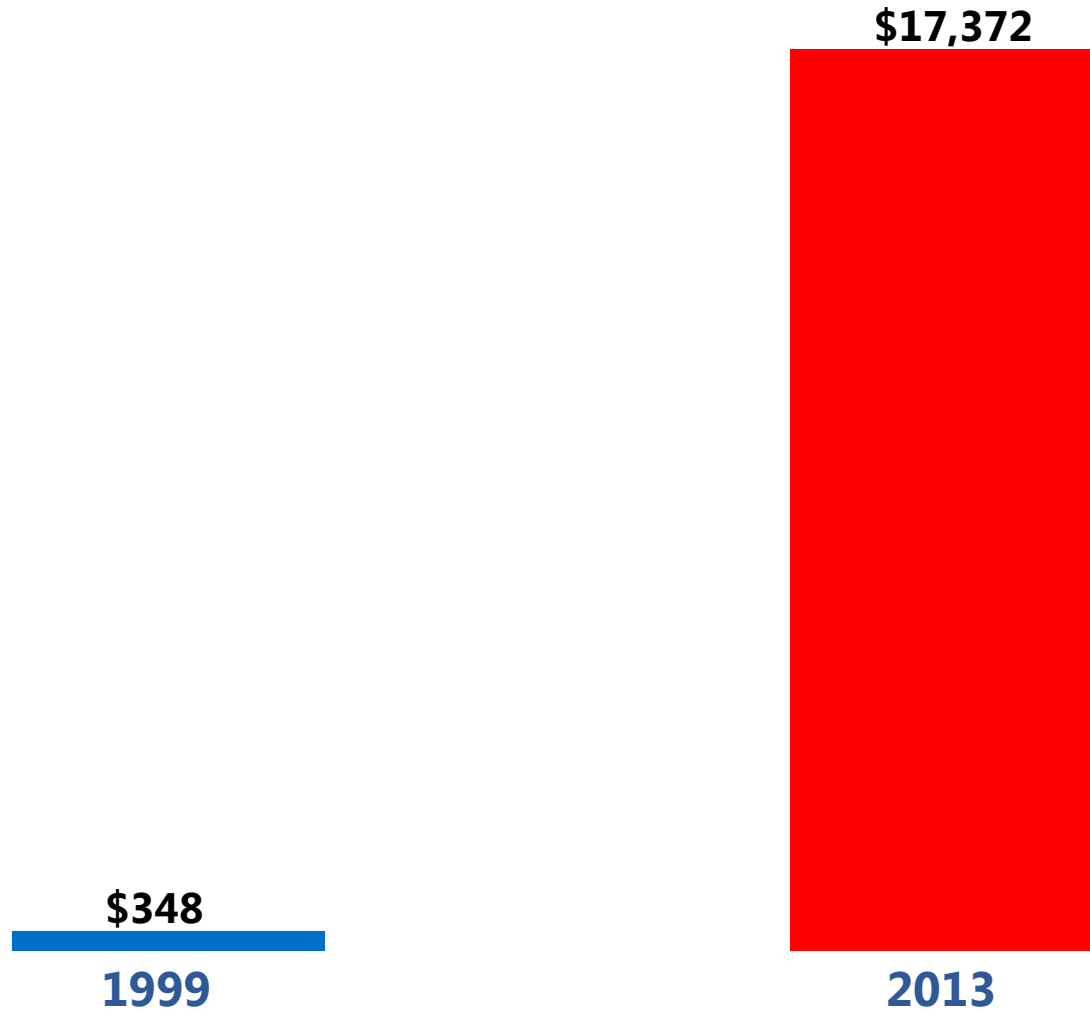
The South Carolina Retirement System Investment Commission:

- 1. We pay too much**
- 2. We earn too little**
- 3. Our portfolio is overly expensive and complex**
- 4. Puts Retirees and Taxpayers at risk**



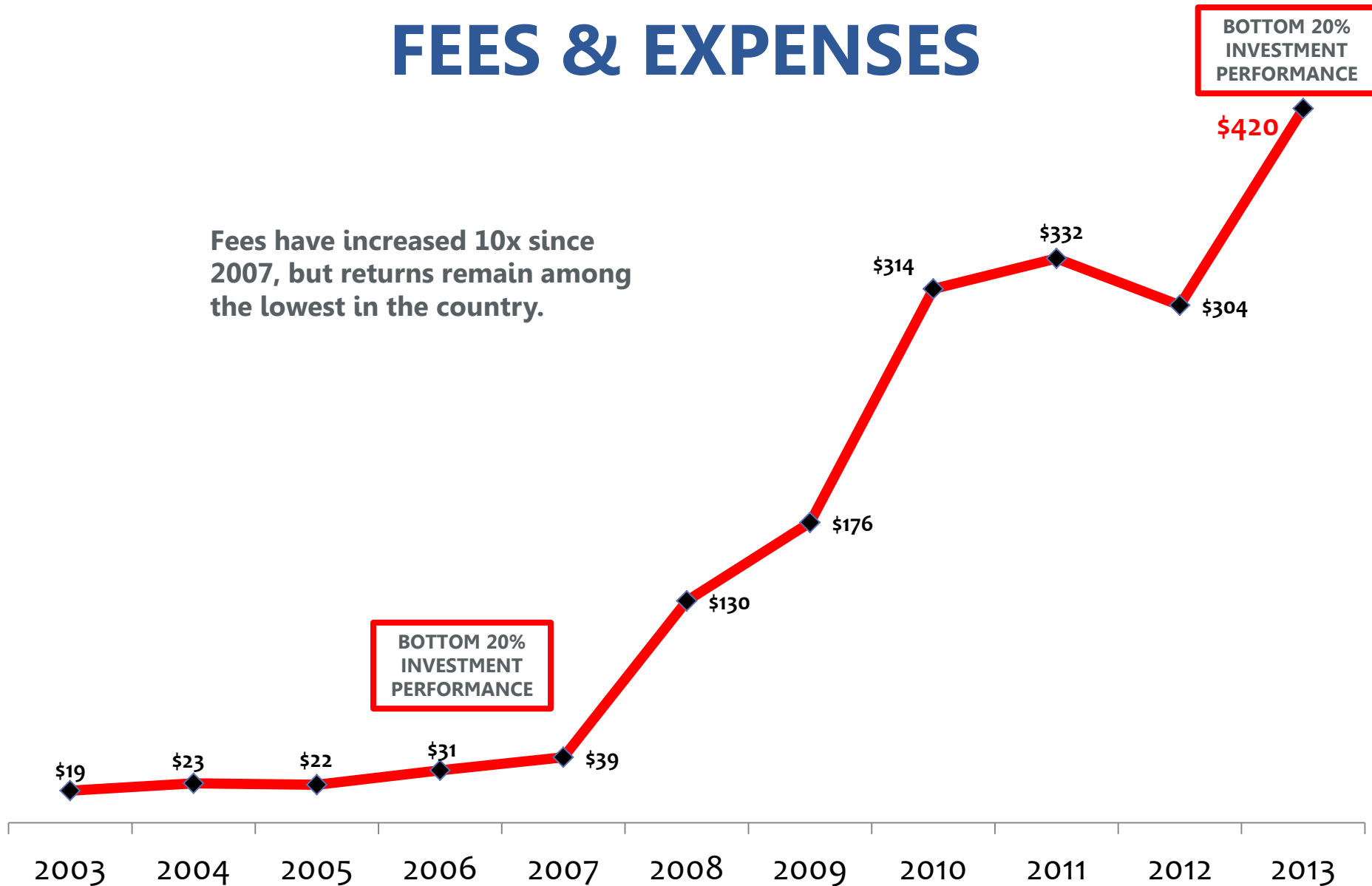
UNFUNDED ACTUARIAL LIABILITY

1999 TO 2013 ACCRUED (IN MILLIONS)



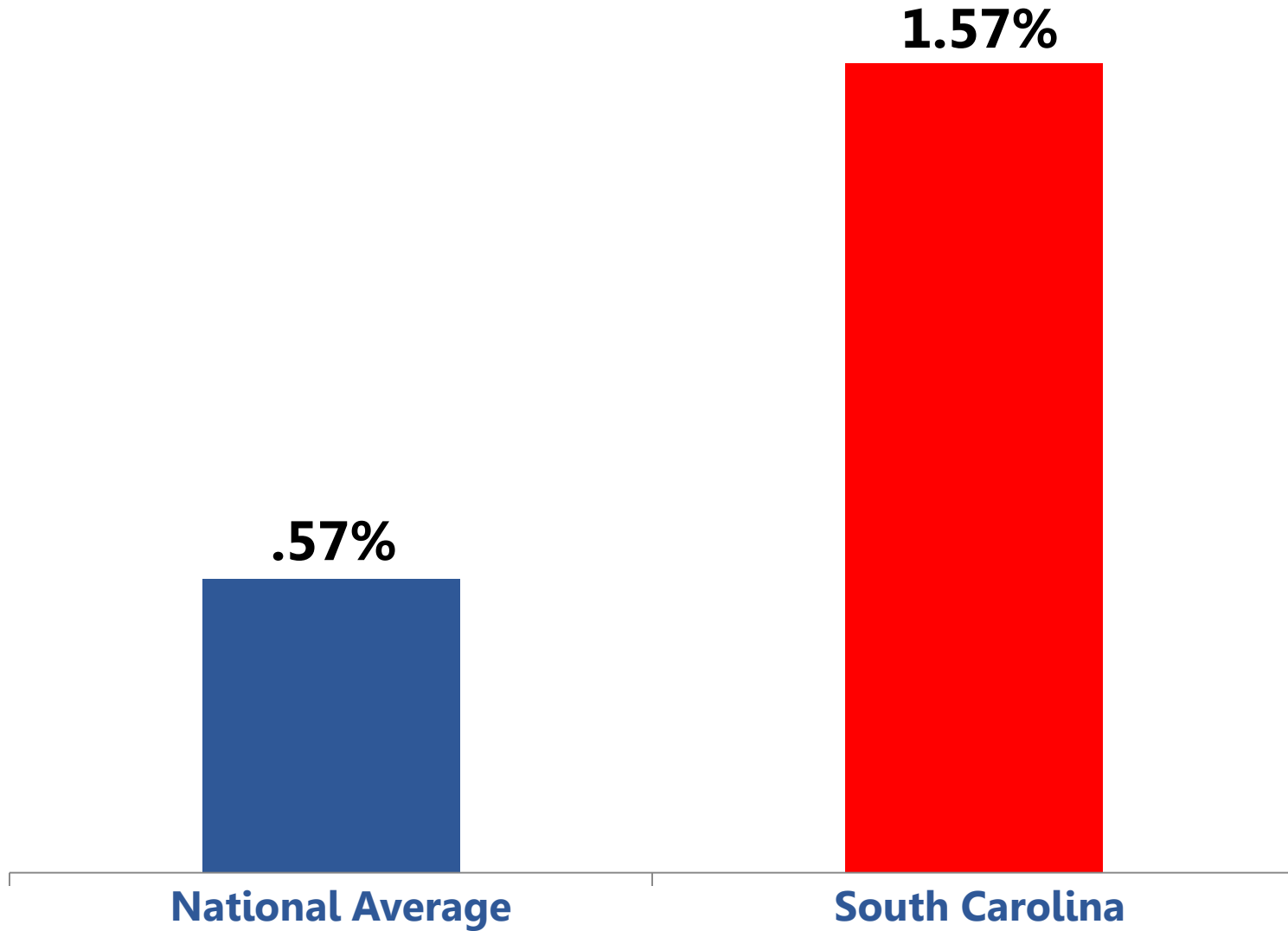
INVESTMENT MANAGEMENT FEES & EXPENSES

Fees have increased 10x since 2007, but returns remain among the lowest in the country.



2013 INVESTMENT FEES & EXPENSES

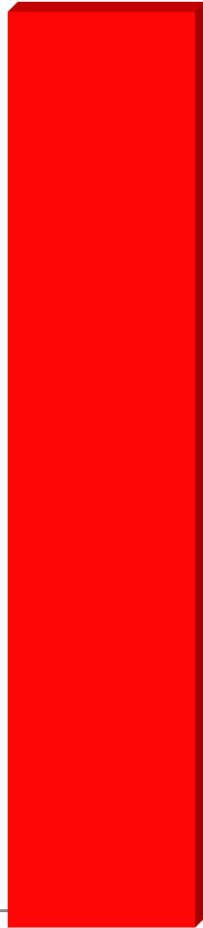
(% of Ending Assets)



TRANSFER OF WEALTH

SC's WORKING CLASS TO WEALTHY MONEY MANAGERS

\$420



Actual SC Fees
for FY2013

\$154



SC Fees at the
National Average

\$420 million paid in 2013
minus

\$154 million had we paid
national average of .57%

equals

\$266,000,000

**TRANSFER OF
WEALTH TO WALL
STREET MONEY
MANAGERS**



45% OF SC'S RETIREMENT FUND INVESTED IN ALTERNATIVE INVESTMENTS

45%

*SC's fees are the highest in the
nation because SC's alternative*

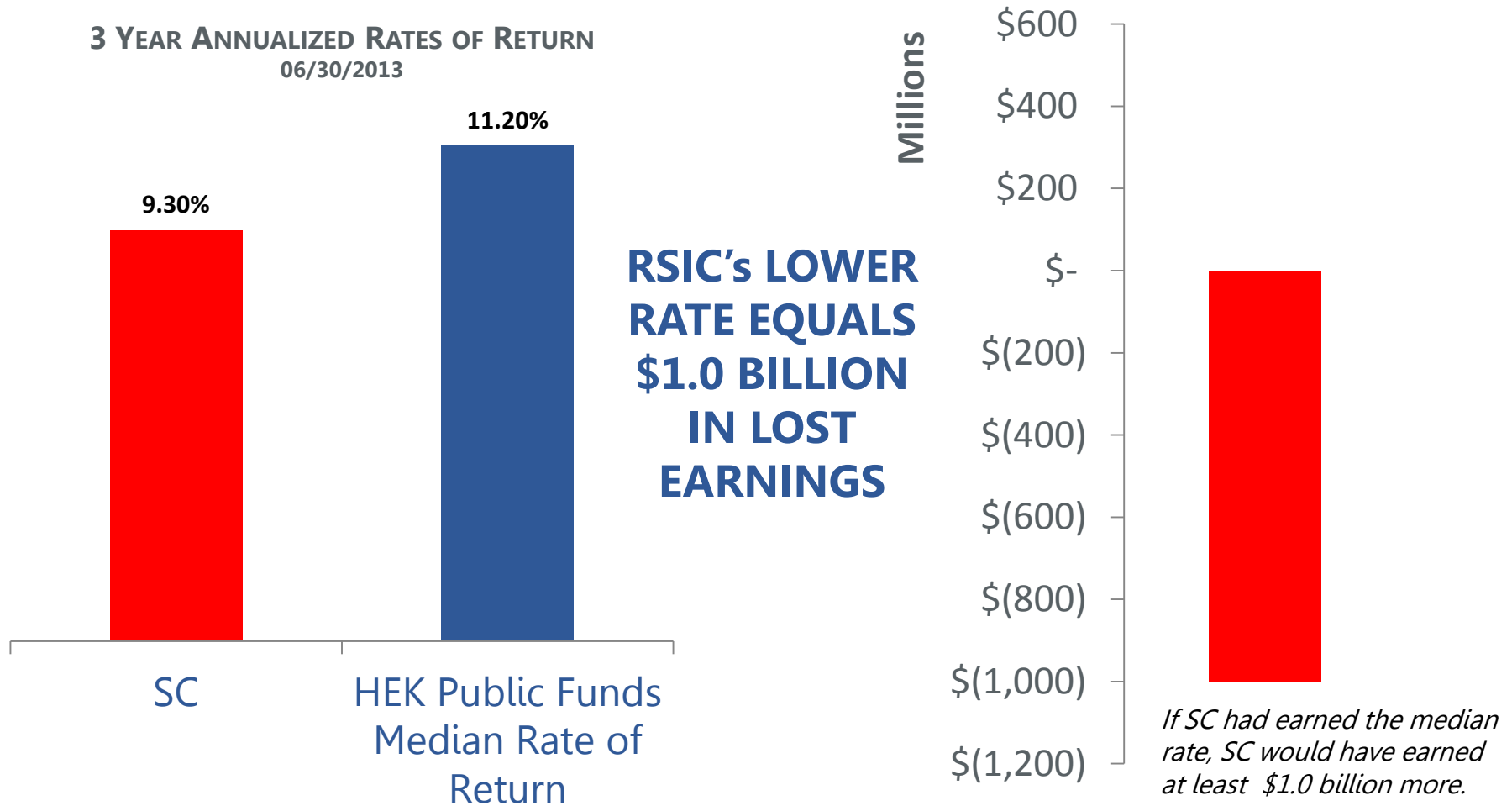
21%

Median (National Council of Public
Employee Retirement Systems)

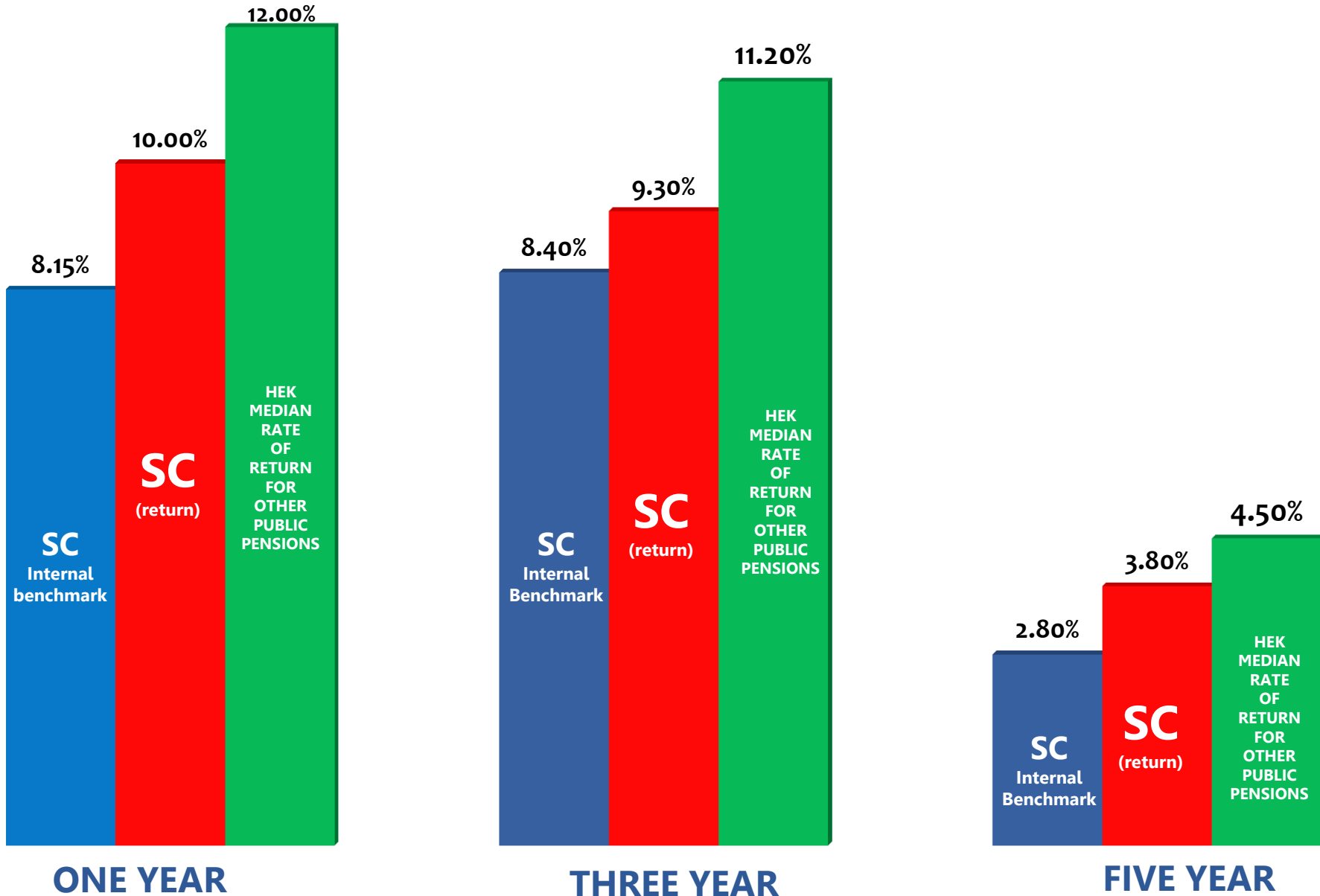
South Carolina



LOST INVESTMENT INCOME FROM UNDERPERFORMANCE OVER 3 YEARS



OUTPERFORMING INTERNAL BENCHMARKS, UNDERPERFORMING PEERS



RSIC BONUS REPORT

FISCAL YEAR 2013

RSIC Staff Earns \$1.4 million in Bonuses Despite Poor Performance

■ Policy Benchmark ■ RSIC Performance ■ Percentage of funds that outperformed the RSIC



SOURCES

- Slide 3: Actuarial Valuation for July 1, 2013; Gabriel, Roder & Smith
- Slide 4: The SCRS financial statements for 2013; the RSIC annual report for 2006 through 2012; the SCRS financial statements for 2003 through 2006.
- Slide 5: SC's rate is calculated: investment expense is divided by Bank of New York's June 30, 2013 net asset value. The 2013 National Council of Public Employee Retirement Systems (NCPERS) Study is the source of the NCPERS average of 0.57%, page 9
- Slide 6: The SCRS financial statements are the source of the amount of \$420 million. The NCPERS average fee rate of 0.57% is multiplied by ending net assets for the amount of \$154 million.
- Slide 7: 2013 NCPERS Public Retirement System Study, page 21.
- Slide 8: HEK quarterly report, 6/30/13
- Slide 9: HEK quarterly report, 6/30/13
- Slide 10: BNY for the rankings of both the plan's return and the Policy Benchmark (Bonus Hurdle) return.

